

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 00081 01 OF 02 111012Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----115588 111015Z /10

P R 110813Z JAN 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 7179
INFO AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
USMISSION GENEVA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 0081

EXDIS

E.O. 11652: GDS-
TAGS: ENRG, TC
SUBJECT: NEXT PHASES IN OPEC DELIBERATIONS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 00081 01 OF 02 111012Z

REFS: (A) STATE 002747, (B) ABU DHABI 0024

1. BEGIN SUMMARY: UAE OIL MINISTER UTAYBA BELIEVES
VENEZUELAN PRESIDENT PEREZ' PROPOSAL TO USE OIL
PRICE HIKE PAY OFF DEBTS OF THIRD WORLD COUNTRIES
WILL FAIL AND NOT RECEIVE SUPPORT OTHER OPEC

STATES. UAE WILL OPPOSE EXTRAORDINARY OPEC MEETING CONSIDER OIL PRICES PRIOR NEXT OPEC MEETING IN GENEVA IN JUNE. HOWEVER, THERE WILL PROBABLY BE A CONSULTATIVE MEETING AMONG OPEC MINISTERS IN NEXT THREE MONTHS TO DISCUSS FUTURE OPEC POLICY VIS A VIS INDUSTRIALIZED WORLD AND DEVELOPING WORLD. UTAYBA HOPES THESE CONSULTATIONS WILL INCLUDE DISCUSSION OF PRICING OF LIQUEFIED GAS PRODUCTS AND HOW TO RESUME ENERGY DIALOGUE BETWEEN MAJOR OIL IMPORTERS AND OIL EXPORTERS.

END SUMMARY

2. FOLLOWING ON MY EARLIER CONVERSATION WITH UNDERSECRETARY ABDALLAH ISMAIL (REF B), I HAD MY FIRST OPPORTUNITY TO MEET WITH OIL MINISTER UTAYBA ON JANUARY 10 SINCE LATTER'S RETURN FROM CARACAS AND TO EXPRESS USG APPRECIATION FOR POSITIVE ROLE WHICH HE HAD PLAYED AT CARACAS CONFERENCE. WITH UAE PRESIDENT SHAIKH ZAYID PREPARING LEAVE FOR PAKISTAN ON JANUARY 5 FOR HIS ANNUAL BUSTARD HUNT, UTAYBA HAD PREVIOUSLY BEEN PREOCCUPIED WITH BRIEFING ZAYID ON LATEST OPEC DEVELOPMENTS. WHILE ISMAIL HAD TOLD ME WEEK BEFORE, THERE WERE SEVERAL NEW ITEMS OF INFORMATION.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 00081 01 OF 02 111012Z

3. PEREZ PROPOSAL: UTAYBA SAID UAE AND OTHER OPEC STATES HAD BEEN TAKEN BY SURPRISE BY VENEZUELAN PRESIDENT PEREZ PROPOSAL TO APPLY THE FIRST YEAR OF FIVE TO EIGHT PERCENT OIL PRICE INCREASE TO PAY OFF THE DEBTS OF THIRD WORLD. HE REMARKED THAT PEREZ WAS IN A DIFFICULT POLITICAL SPOT AT HOME HAVING GONE OUT ON A LIMB AT THE TIME OF SECRETARY VANCE'S VISIT TO CARACAS IN INSISTING ON NECESSITY OF PRICE INCREASE PRIOR TO CONFERENCE WHEN IN FACT CARDS CLEARLY STACKED AGAINST THIS POSSIBILITY AFTER IRAN HAD JOINED OTHER PRICE MODERATES, TO SALVAGE HIS POSITION AND MAINTAIN VENEZUELA'S CREDENTIALS WITH THIRD WORLD, PEREZ HAD COME UP WITH HIS IDEA AT LAST MINUTE. UTAYBA SAID HE HAD FOUND HIMSELF IN UNCOMFORTABLE POSITION OF HAVING TO BE THE SPOKESMAN IN ARGUING AGAINST IDEA IN OPEC COUNCILS. BOTH YAMANI AND AMUZEGAR HAD PASSED THIS ONE ON TO HIM. UTAYBA HAD ARGUED THAT IT WOULD BE VERY DIFFICULT PROPOSAL TO IMPLEMENT AND ADMINISTER. IN EFFECT, IT AMOUNTED TO A TAX ON OPEC COUNTRIES LEVIED BY THIRD WORLD AND HE BELIEVED OPEC COUNTRIES WOULD NOT WANT TO GIVE UP THEIR INDIVIDUAL

SOVERIEGN RIGHTS TO DETERMINE TAX STRUCTURE AND
USE OF INCOME. HE HAD POINTED OUT THAT NOT ALL
OF THE \$140 BILLION IN LDC DEBTS WERE DUE TO OIL
PRICE HIKES. FOR MANY COUNTRIES, THEIR DEBTS
WERE DUE TO PURCHASES OF MILITARY HARDWARE FROM
SOVIET UNION. UAE CERTAINLY DID NOT INTEND TO
PAY OFF PRINCIPLE AND INTEREST ON SOVIET LOANS
TO THIRD WORLD COUNTRIES FOR MILITARY EQUIPMENT.
HE HAD ALSO POINTED OUT THAT OPEC FUND HAD BEEN
CREATED BUT STILL SUBSTANTIAL UNSPECT MONIES
LEFT IN FUND. IF OPEC WANTED INCREASE ITS AID TO
THIRD WORLD, HE THOUGHT IT SHOULD BE HANDLED
THROUGH FUND ESTABLISHED FOR PURPOSE. UNLIKE
UNDER SECRETARY ISMAIL, UTAYBA THOUGH PEREZ
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ABU DH 00081 01 OF 02 111012Z

PROPOSAL WAS DEAD AND WOULD NOT BE REVIVED AT
LATER OPEC MEETING.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ABU DH 00081 02 OF 02 111745Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 INRE-00 NSCE-00 CIAE-00
TRSE-00 /026 W

-----118854 111747Z /42

P R 110813Z JAN 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 7180
INFO AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
USMISSION GENEVA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY/LIBREVILLE 067

AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 2 OF 2 ABU DHABI 081

EXDIS

C O R R E C T E D C O P Y (READ SECTION 2 VICE SECTION 1)

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 00081 02 OF 02 111745Z

4. NEXT OPEC MEETING: UTAYBA DID NOT BELIEVE THERE WOULD BE ANY EXTRAORDINARY MEETING TO DISCUSS PRICES BETWEEN NOW AND THE NEXT OPEC CONCLAVE AT GENEVA ON JUNE 15. IN ANY EVENT, UAE WOULD OPPOSE THIS. HE THOUGH THAT OIL PRICE COULD REMAIN FROZEN FOR REST OF YEAR, PROVIDED DEMAND DOES NOT GROW SIGNIFICANTLY. RECENT CUT BACK IN ALLOWABLES BY UAE AND 1.5 MILLION BPD "CEILING" BY SAUDIS FOR 1978 COULD ALSO BE "ADJUSTED" LATER IN YEAR AND OTHER OPEC COUNTRIES KNOW THIS. UTAYBA DID, HOWEVER, EXPECT TO SEE A CONSULTATIVE MEETING AMONG OPEC OIL MINISTERS IN NEXT THREE MONTHS. THIS WOULD NOT BE A FORMALIZED MEETING BUT INFORMAL GET TOGETHER AMONG NUMBER OPEC MINISTERS. AMONG TOPICS THAT WOULD BE DISCUSSED IS FUTURE OF OPEC AND ITS ROLE IN NORTH-SOUTH DIALOGUE. REVERTING TO AN IDEA WHICH HE HAS MENTIONED TO ME PREVIOUSLY ON SEVERAL OCCASIONS, UTAYBA BELIEVED THAT OPEC COUNTRIES SHOULD STUDY AGAIN HOW TO REESTABLISH A DIALOGUE BETWEEN THE PRINCIPAL ENERGY CONSUMERS AND EXPORTERS, WHERE ISSUES RELATING TO PROTECTION AGAINST DOLLAR FLUCTUATIONS, DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, ANTICIPATED OIL CONSUMPTION OVER NEXT DECADE, ETC. COULD BE DISCUSSED. BASICALLY, UTAYBA WANTED TO GET BACK TO CONCEPT OF ENERGY DIALOGUE ORIGINALLY PROPOSED BY SAUDI OIL MINISTER YAMANI IN 1974 BEFORE IT GOT SIDETRACKED WITH ADDITION OF RAW MATERIALS AND FULL BLOWN CIEC CIRCUS.

5. PRICING OF LIQUEFIED GAS PRODUCTS: ONE OF
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 00081 02 OF 02 111745Z

SUBJECTS UTAYBA HOPED WOULD BE REVIEWED IN
CONSULTATIVE MEETING IS NEED TO ARRIVE AT SOME
FORMULA FOR PRICING OF LIQUEFIED GAS PRODUCTS.
UAE HAD NOW JOINED RANKS OF LIQUEFIED GAS
EXPORTERS AND NUMBER OF EXPORTERS WOULD INCREASE
AS MORE LNG, LPG, NGL, METHANOL, ETC. ENTERS
WORLD TRADE. A COMMITTEE IN OPEC HAD BEEN
ESTABLISHED TWO YEARS AGO TO TRY AND FIND A
COMMON GROUND. UAE FELT BEST WAY TO ESTABLISH
PRICE OF LIQUEFIED GAS PRODUCTS WAS TO CALCULATE
WEIGHTED AVERAGE PRICE OF IMPORTED CRUDE TO A MAJOR
MARKET, SAY JAPAN, AND CONVERT THIS INTO BTU
EQUIVALENT. PRICE OF IMPORTED LIQUEFIED
PETROLEUM GAS PRODUCTS WOULD BE CALCULATED ON
SAME BTU EQUIVALENT PRICE. UTAYBA RECOGNIZED
THAT THIS FORMULA WAS NOT AN EASY ONE TO APPLY
SINCE OIL AND GAS ARE QUITE DIFFERENT. CRUDE
OIL WAS EASY TO TRANSPORT AND DISTRIBUTED AT
RELATIVELY LOW COST. LIQUEFIED GAS PRODUCTS
ON OTHER HAND WERE MUCH MORE DIFFICULT TO
HANDLE AND REQUIRED A VERY SUBSTANTIAL INVEST-
MENT FOR PROCESSING, TRANSPORTATION AND DIS-
TRIBUTION. MOREOVER, THERE WERE MANY TYPES
OF GAS USED FOR LIQUEFIED PETROLEUM PRODUCTS,
SOME WERE FROM ASSOCIATED GAS ONLY, OTHERS FROM
CAP GAS, SOME HAD HIGH SULPHUR CONTENT, OTHERS
WERE LESS CORROSIVE, ETC. ALL THESE FACTORS
WOULD HAVE TO BE TAKEN INTO CONSIDERATION.
NONETHELESS, THERE WAS NOW PRESSING NEED TO
REACH A RATIONAL AND ACCEPTABLE PRICING FORMULA
FOR THIS NEW AND GROWING ENERGY SOURCE.
DICKMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, NEGOTIATIONS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 jan 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ABUDH00081
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780016-0152
Format: TEL
From: ABU DHABI
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780178/aaaacnnpn.tel
Line Count: 263
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9998eae4-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 78 STATE 2747, 78 ABU DHABI 24
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3796415
Secure: OPEN
Status: NATIVE
Subject: NEXT PHASES IN OPEC DELIBERATIONS CONFIDENTIAL CONFIDENTIAL
TAGS: ENRG, TC, OPEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9998eae4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014